



NETKI

Customer Story

Scaling Compliance for
Rapid Growth



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Product Manager,
Hedera

You've spent months, if not years, developing an exciting new technology. You launch public testing, only to quickly discover that it's threatened by bad actors who've somehow gotten access and are abusing it to the point that you have to shut it down entirely. That's what faced Hedera in early 2019. “We launched the first phase of our community testing program and we actually had to shut it down, because of a massive flood of fraudulent activity around account creation,” said Andy Grant, VP of Marketing for Hedera.

Hedera offers a public distributed ledger for building decentralized applications powered by the hashgraph consensus algorithm. Transactions on the network use the hbar cryptocurrency. Hedera was running a community testing program, in which it invited people to create accounts on the network and help with performance testing. As part of the trial, Hedera was offering an incentive of roughly \$120 in hbar to anyone who helped test the network. And that's where the trouble started.

“We had intended for our product to be used early on as a one person/one account feature but people found ways to essentially create a bunch of accounts for themselves. The primary way of doing it was by faking who they were. So whether it was a unique email address or unique identity documents or doctored identity documents, they managed to do it,” said Donald Thibeau, Product Manager for Hedera.

According to Andy, “We had a KYC provider in place but this KYC provider was having a hard time ensuring that these fraudulent accounts were actually being filtered out.”

Rather than enjoying the excitement of seeing their new network launching, they were instead feeling dispirited. “Why are these people doing what they're doing? Why do we have somebody submitting 5,000 fraudulent identities at one time to our system?” said Donald, “It was definitely a shock to the system to recognize the scale and intentionality with which we're dealing with some of those bad actors.”

The integrity of the network was at risk, according to Donald, “We realized pretty quickly that we had to shut it down.” “And that led us to look for another KYC solution - and that's how we came to Netki”, said Andy.

As they evaluated new options for KYC, they first and foremost needed something much more advanced in its ability to prevent fraudulent account creation. “It's a pretty wide range of things that we need to prevent. We needed more control into the granularity of what would be a passable id submission versus unpassable. And that's everything from something super easy, like face matching control to also the granularity for hits on media and watch lists, “ according to Andy. “And Netki enables all those types of checks for users when they're getting their ID verified so that we can see and confirm whether or not a particular individual has any negative media hits or watch list hits.”

Andy said that having a truly global solution was also important, “We have people from all over the world submitting their ID in order to create an account on our network. So Netki's support of different ID types around the world and their coverage has been really helpful. And then also the ability to handle the volume of accounts that would be created.” In just the first 2 months since Netki went live for Hedera, we've had over 70,000 individuals attempt to create an account on our network. Their ability to handle scale has been awesome.”

Fraud attempts have been reduced dramatically, according to Andy. “Netki has made sure that our KYC requirements succeed, period.” That's partially because Hedera now requires customers to download Netki's MyVerify app to register. That means providing both a live photo of the new user as well as a photo of their id document. “Anytime they've seen a new trend in fraud, whether it's users from a certain country or documents of a certain type that

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triggers some alerts on their end has really helped give us a strong level of assurance in those documents and users that are getting approved,” says Donald. “We’ve gotten a little bit more benefit than we went into this relationship looking to get. Netki has been able to point out areas on our side or on our portal side that may be causing us self-inflicted pain, they’ve been able to help us resolve them as well,” says Andy.

In addition, the level of support that Netki has provided has been in stark contrast to how their previous KYC provider operated, according to Donald. “Oh, I mean, it’s completely different. I couldn’t tell you who we were working with on the other side. I couldn’t name a person in their organization and I’m pretty sure I could name down to the engineer we’re working with at Netki. They feel like an integrated part of our team.”

For Andy, Netki is a trusted resource, “It’s comforting for me to be able to depend on Netki. I go back and forth with them every day, talking or on Slack. Probably every hour that I’m online and, the responsiveness, the quality of support that we get, the turnaround time and issues that can be resolved by Netki are just outstanding.”

For Donald, that’s been a game changer, “As a product manager, I have a lot of responsibilities, and before Netki I was spending almost half of my time on KYC. Now it’s more like twenty percent.”

Andy puts it this way, “Startups are a chaotic environment, but, you throw on top of it, the almost daily attempts of people trying to game their way onto our network to get these tokens. It’s a kind of chaos here that’s different from what I’ve seen at other jobs. And Netki seems to be well experienced to help us deal with this particular type of chaos.”